

Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 IO-13 ISO-00 AID-05 CIAE-00 COME-00
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 8477

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UNCLAS BUENOS AIRES 0197

PASS TREASURY AND EXIMBANK

E.O. 11652: N/A

TAGS: EFIN/ETRD, AR

SUBJECT: MAJOR CHANGES IN ARGENTINE EXPORT REGIMES

REF: A) BUENOS AIRES-8285; B) BUENOS AIRES 8325

1. MINISTRY OF ECONOMY, IN RESOLUTION NO. 936, DATED DEC. 23, 1976, ANNOUNCED NEW RATES FOR EXPORT TAXES AND SUBSIDIES, WHICH ON MOST ITEMS INCREASES BY 5 PERCENT THE EFFECTIVE RATE OF EXCHANGE RECEIVED BY EXPORTERS, WITH THE CEILING ON SUBSIDIES INCREASING FROM 20 TO 25 PERCENT. ON NON-PROMOTED PRODUCTS THIS GENERALLY RESTORES TAXES AND SUBSIDIES PREVAILING PRIOR TO EXCHANGE RATE UNIFICATION NOV. 19, BUT WHICH WERE SUBSEQUENTLY MODIFIED IN RESOLUTION DATED NOV. 19, 1976 TO COMPENSATE FOR SHIFT OF THIS PRODUCT CATEGORY TO FAVORABLE FREE MARKET RATE (SEE BA-8285, PARA. 6). IN THE CASE OF PROMOTED PRODUCTS IN LIST IA OF MINISTRY OF ECONOMY RESOLUTION 459 (MOSTLY MANUFACTURES), EFFECT IS TO GRANT A 5 PERCENT INCREASE IN SUBSIDIES BEYOND RATES IN EFFECT
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SINCE JULY 1976, THEREBY PROVIDING SOME STIMULUS FOR MANUFACTURES WHICH HAVE BEEN CAUGHT BETWEEN RISING LOCAL COSTS AND RELATIVELY STAGNANT FREE MARKETRATE.

2. REGARDING SPECIFIC PRODUCT GROUPS, THE POSITION OF ALL INDUSTRIAL PRODUCTS HAS IMPROVED, WITH THE EX-

CEPTION OF CHEMICALS. ON GRAINS, THE 10 PERCENT TAX ON CORN AND SORGUM EXPORTS REMAINS, WHILE TAX ON WHEAT CONTINUES TO BE SUSPENDED BECAUSE OF FALLING WORLD PRICES (SEE BA-8325). ON MEAT AND LEATHER, PRODUCTS, INCENTIVES HAVE INCREASED ON SOME ITEMS TO ENCOURAGE EXPORTS WITH HIGH ADDED VALUE, WHEREAS FOR RAW AND UNFINISHED PRODUCTS INCENTIVES REMAIN UNCHANGED.

3. POST POUCHING DEPARTMENT COPY OF MINISTRY OF ECONOMY RESOLUTION NO.936 LISTING NEW EXPORT TAXES AND SUBSIDIES FOR BOTH PROMOTED AND NON-PROMOTED PRODUCTS.

4. COMMENT: FOR SOME TIME NOW, ARGENTINE EXPORTERS, AND IN PARTICULAR THOSE OF INDUSTRIAL PRODUCTS, HAVE BEEN CLAMORING FOR A GREATER DEVALUATION OF THE ARGENTINE PESO. THEY ARGUE THAT THE PESO IS GREATLY OVERVALUED, POINTING TO THE DIFFICULTIES AT CURRENT EXCHANGE RATE LEVEL IN EVEN EXPORTING WHEAT, A PRODUCT IN WHICH ARGENTINA CLEARLY ENJOYS COMPARATIVE ADVANTAGE. THE LATEST CHANGE IN EXPORT SUBSIDIES AND TAXES IS SEEN AS SIGN THAT GOA RECOGNIZES THAT ARGENTINE EXPORTERS ARE HAVING DIFFICULTY COMPETING ON THE INTERNATIONAL MARKETS AT THE CURRENT EXCHANGE RATE.

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Disposition Case Number: n/a
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